

Technical Note
Gross Domestic Product, Third Quarter 2002 (Advance)
October 31, 2002

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; the note also provides some perspective on the estimates. Additional material will become available in the next several days; much of it will be posted to BEA's Web site <www.bea.gov>. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*. The *Survey* also will provide a more detailed analysis of the estimates ("The Business Situation").

Real GDP: Based on data available at this time, BEA estimates that real GDP increased 3.1 percent (annual rate) in the third quarter of 2002, after increasing 1.3 percent in the second quarter. The largest contributors to the step-up were an acceleration in consumer spending -- especially for motor vehicles -- and a slowdown in imports.

Real final sales of domestic product -- GDP less change in private inventories -- increased 3.2 percent in the third quarter, following a decrease of 0.1 percent in the second. A small decrease in inventory accumulation subtracted 0.07 percentage point from third-quarter real GDP growth. In the second quarter, a swing from inventory liquidation to inventory accumulation had added 1.31 percentage points to GDP growth.

Prices: The price index for gross domestic purchases increased 1.4 percent in the third quarter, after increasing 2.3 percent in the second. Excluding food and energy prices, which are more volatile than most other prices, the index increased 1.4 percent in the third quarter, following an increase of 1.5 percent in the second.

Disposable personal income and personal saving: Real disposable personal income (DPI) increased 2.7 percent in the third quarter, after increasing 3.6 percent in the second. Current-dollar DPI increased 4.6 percent, following an increase of 6.4 percent. Personal saving -- current-dollar DPI less personal outlays -- was \$290.0 billion in the third quarter, compared with \$308.7 billion in the second. The personal saving rate -- saving as a percentage of DPI -- was 3.7 percent in the third quarter, compared with 4.0 percent in the second.

Source Data for the Advance Estimate

The advance GDP estimate for the third quarter is based on source data that are incomplete and that are subject to revision. Three months of source data are available for consumer spending on goods; investment in private equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories other than semiconductors; federal government outlays; and consumer, producer, and international prices. Only two months of data are available for most other key source data; BEA's assumptions for the third month are shown in Table A.

- C For the change in nondurable manufacturing inventories, a small decrease was assumed for September;
- C For the change in non-motor-vehicle merchant wholesale and retail inventories, a small increase was assumed for September;
- C For exports of goods, excluding gold, an increase was assumed for September;
- C For imports of goods, excluding gold, an increase was assumed for September.

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Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE THIRD QUARTER OF 2002

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer and producer price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for September 2002 are shown in the last column of the table. For most series shown, the data for August are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

	Apr.	May	Jun.	2002 Jul.	Aug.	Sep.*
Private fixed investment:						
Nonresidential structures:						
Buildings:						
1 Value of new nonresidential construction put in place.....	179.6	170.5	166.7	162.4	159.2	159.4
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	39.1	29.0	35.0	38.6	28.5	28.7
Residential structures:						
Value of new residential construction put in place:						
3 1-unit structures.....	260.5	260.5	260.0	260.2	258.3	261.4
4 2-unit-or-more.....	35.1	34.4	32.8	32.9	34.6	34.9
Change in private inventories:						
5 Change in inventories for nondurable manufacturing.....	0.0	-2.0	6.9	10.2	6.6	-1.0
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment.....	-22.9	6.8	20.1	31.0	7.2	1.0

Net exports:

Exports of goods:

6 U.S. exports of goods, international-transactions- accounts basis.....	682.2	687.9	699.0	709.3	695.8	698.9
6a Excluding gold.....	678.8	683.9	696.1	705.3	692.4	695.9

Imports of goods:

7 U.S. imports of goods, international-transactions- accounts basis.....	1164.0	1188.3	1186.4	1177.7	1203.1	1214.6
7a Excluding gold.....	1160.8	1184.5	1183.0	1174.6	1199.9	1211.6

8 Net exports of goods.....	-481.8	-500.4	-487.4	-468.4	-507.3	-515.7
8a Excluding gold.....	-482.1	-500.6	-486.9	-469.3	-507.5	-515.7

Government:

State and local:

Structures:

9 Value of new construction put in place.....	183.6	187.9	182.6	184.9	186.5	185.7
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*Assumption.